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ARTICLE APPEARED
ON PAGE C-2

WASHINGTON POST
10 January 1985

THE FEDERAL DIARY

Retirement Plan Dropped

By Mike Causey
Washington Post Staff Writer

The budget President Reagan will send Congress later this month will *not* recommend any increase in civil service retirement contributions for federal and postal workers, an increase that would have cut into paychecks by 2 percent.

But Reagan will, as expected, ask Congress to approve a 5 percent pay cut for federal workers next year and a number of "reforms" of the federal retirement system, including one to make it less attractive to retire before age 65. The system covers 2.6 million workers and nearly 3 million former government workers, military retirees or their survivors.

Administration officials originally intended to ask Congress to increase employe retirement contributions to bring more money into the fund. Most employes now pay 7 percent of salary toward retirement and the administration wanted to raise that to at least 9 percent within two years.

The Office of Personnel Management estimates that the cost to the government of retirement benefits ranges between 28 and 32 percent of the payroll.

But insiders say the White House has decided that proposing both a pay cut and an increase in retirement contributions would be politically unrealistic. The budget will not mention large-scale layoffs of federal workers, as the Office of Personnel Management had proposed as an alternative to the 5 percent pay cut.

Many congressional Democrats oppose the pay cut plan, as does Sen. William Roth (R-Del.), chairman of the Senate Governmental Affairs Committee. Roth favors either freezing federal pay levels or stretching out the time between in-grade (longevity) raises for U.S. workers.

Government employes now get longevity raises every one, two or three years, depending on their length of service. Those increases are added to the regular annual raises employes are supposed to get. Last year workers got an across-the-board 4 percent increase. This month they got a 3½ percent raise.

If all of the newly proposed "reforms" were implemented, the White House estimates the government would save nearly $4.5 billion over the next three years. Among the proposals:

- Capping the cost of living adjustments (COLAs) for federal, postal and military retirees at the percentage increase in the cost of living, or the amount of the regular federal pay raise, whichever is lower. If federal pay is frozen, for example, retirees who also got a 3 percent adjustment this month would get no COLA next year.
- Apply a cap of 55 percent of the actual rise in living costs on annuities that exceed $10,000 per year. Retirees would get the full raise on amounts of $10,000 or less, and increases of 55 percent of the increased living costs on amounts over $10,000.
- Gradually phase in new rules that would penalize employes who retire before age 65. Workers could still retire as early as 55, but they would be subject to a 5 percent annuity reduction for each year they were under age 65. Employes can now retire at 55 with a pension equal to about 56 percent of their final salaries. Under the new plan, the pension for employes retiring at 55 would be cut almost in half.
- Base annuities on the employes' length of service and highest average salary over a five-year period. Currently, annuities are calculated on time in government and the highest three-year average.

Congress would have to approve all of the retirement changes proposed in the budget. Any changes would also affect members of Congress and congressional staffers.

Pay Tables and Leave Chart

The Federal Research Service is offering reprints of its white-collar federal pay scale and its 1985 leave chart. Copies are free, if you send a stamped, self-addressed envelope to the FRS at P.O. Box 1059, Vienna, Va., 22180-1059.